LowellSTAT Report

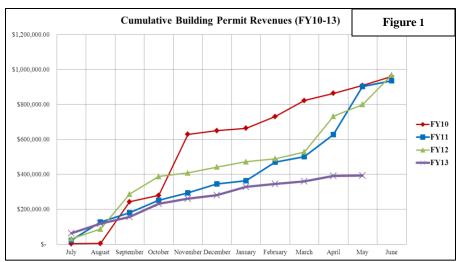
May 2013

Subject: Development Services



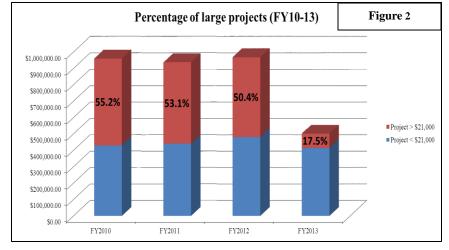
<u>Construction Activities and Building Permits</u>: At the national level, the *New Housing Permits Data Series* is one of 11 data sets comprising the Composite Index of Leading Economic Indicators. The housing market is

generally seen as one of the first economic sectors to rise or fall when economic conditions improve or degrade and building permits are known as **leading** indicators of activity in the housing market. New residential housing construction generally leads to other types of economic production. Locally, however, the new-housing market is affected by those same national interest rate fluctuations, but may be influenced by strictly local factors. In Lowell, our building permit revenues are often viewed



as indicators of new development in this city. By monitoring trends in these revenue accounts, the administration and the Development Services Division can better plan for projecting New Growth and can attain a sense of the general direction of trends in the local housing market. As you can see in **Figure 1**, the cumulative building permit revenues (**in purple**) are trending well below the previous three fiscal years. Over the past three years, the average total revenue for building permits was \$954,834, however, this year the revenues are at approximately \$420,000 for the year. After analyzing a number of possible contributing factors to this reduction in revenue, LowellSTAT and Development Services were able to determine that the anomaly in FY13 was primarily due to the lack of large projects in FY13.

Large Projects: By isolating the revenues captures each fiscal year from projects whose fee was greater than



\$21,000, a much different view of the same information emerges in Figure 2. By looking just at just the blue portion of each year's totals, the revenue totals are relatively constant throughout the period of FY10-FY13. However, it is easy to see by looking at the portion of the bar in red exactly how much of the total revenue was a result of large projects, which generated large building permit fees (FY2010 – 55.2%; FY2011 – 53.1%; FY2012 – 50.4%). Large projects that took place in any of those years, such as

the expansion of Lowell General Hospital, or any of the several renovations that took place to private condominiums in the city, would have triggered a significant bump in that fiscal year's total revenue. This year, only 17.5% of the total revenue came from projects whose fees were above the \$21,000 threshold, resulting in an overall decline. However, it is important to note that the data used to create these charts is only current as of early May, which may not reflect work that will take place during the spring and summer construction season.